

VZCZCXRO0243

PP RUEHAST RUEHCN RUEHGH RUEHHM RUEHLN RUEHMA RUEHPB RUEHPOD RUEHTM RUEHVC

DE RUEHBJ #4603/01 3540302

ZNR UUUUU ZZH

P 190302Z DEC 08

FM AMEMBASSY BEIJING

TO RUEHC/SECSTATE WASHDC PRIORITY 1481

RHMFUUU/DEPT OF ENERGY WASHINGTON DC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY

INFO RUEHZN/ENVIRONMENT SCIENCE AND TECHNOLOGY COLLECTIVE PRIORITY

RUEHOO/CHINA POSTS COLLECTIVE PRIORITY

RUEHNE/AMEMBASSY NEW DELHI PRIORITY 4693

RUEHKO/AMEMBASSY TOKYO PRIORITY 2332

RHEHNSC/NSC WASHDC PRIORITY

RUEAEPA/HQ EPA WASHDC PRIORITY

RUEHOS/USMISSION OECD PARIS FR PRIORITY

UNCLAS SECTION 01 OF 03 BEIJING 004603

STATE FOR EEB/ESC/HENGEL, EEB/ESC/PSECOR/JKOPP, OES,
OES/EGC, OES/ENV, EAP/CM/HABJAN/FLATT,
TREASURY FOR OASIA/ISA/DOHNER/HOLMER/WRIGHT

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [ENRG](#) [EPET](#) [ECON](#) [EMIN](#) [SENV](#) [CH](#)

SUBJECT: IEA/CHINA: DAS HENGEL DISCUSSES IEA, BILATERAL
ENERGY COOPERATION WITH CHINESE OFFICIALS

1. (SBU) Summary: Chinese energy experts and government officials explained their views on bilateral energy cooperation and China's engagement with the International Energy Agency (IEA) with EEB DAS Douglas Hengel December 3-5. On bilateral energy cooperation, National Energy Administration International Cooperation Director General Wu Guihui praised the accomplishments of the Strategic Economic Dialogue (SED) and other fora, but noted that several bilateral energy cooperation mechanisms have overlapping responsibilities, but are led by different ministries, leading to institutional obstacles in some cases. Energy Research Institute (ERI) Director General Dr. Han Wenke suggested that the U.S. and China establish a policy coordination mechanism, which could improve market stability. On IEA cooperation, all interlocutors agreed that China should continue to strengthen its cooperation with the IEA, but several noted concerns about the possibility of China joining the IEA. DG Wu stated that it is "premature" for China to pursue IEA membership, as the IEA would need to revise its criteria for membership if China were to join. ERI DG Han noted that the Chinese government is currently studying how it can best work with the IEA. On membership, he said that if the IEA were to issue a formal invitation for China to join, China would be obligated to respond. Development Research Council (DRC) DG Dr. Feng Fei said he also supports closer cooperation with the IEA, but pointed out that China would struggle to meet the IEA's membership criteria at this time. End Summary.

2. (SBU) In conjunction with participation in the Strategic Economic Dialogue in Beijing December 3-5, EEB DAS Douglas Hengel discussed bilateral energy cooperation and China's engagement with the International Energy Agency (IEA) with National Energy Administration (NEA) International Cooperation Director General Wu Guihui, Energy Research Institute (ERI) Director General Dr. Han Wenke, Director for the Center of China Studies at Tsinghua University Dr. Hu Angang, and Development Research Center (DRC) of the State Council Department of Industrial and Economic Research Director General Dr. Feng Fei. DAS Hengel solicited Chinese views on how to improve bilateral energy cooperation mechanisms and how best to pursue China's coordination with the IEA, noting that the U.S. has been a strong advocate for Chinese

participation in IEA activities and that the U.S. would support Chinese efforts to become an IEA member. Such efforts would be assisted by an expression of interest by China in joining the IEA, he explained.

U.S.-China energy relationship ?at a crossroads? -----

13. (SBU) NEA DG Wu Gui Hui, DRC DG Dr. Feng Fei, and NDRC-affiliated Energy Research Institute (ERI) DG Dr. Han Wenke praised bilateral efforts to strengthen energy cooperation through the Energy Policy Dialogue, the SED, the Ten Year Framework, and exchanges between U.S. and Chinese research institutions. Wu said the bilateral energy relationship now ?stands at a crossroads.? He pointed out that existing cooperation mechanisms reflect the needs of both countries at the time they were created. Some of these mechanisms now overlap with one another, but are led by different ministries, resulting in institutional obstacles in some cases. DRC DG Feng noted that while bilateral energy cooperation remains a top priority for the Chinese government, it is easiest for China to contribute to efforts at the regional level.

14. (SBU) DG Han suggested that the U.S. and China establish a policy coordination mechanism. For example, the U.S. could inform China if it planned to increase its strategic petroleum reserves or China could inform the U.S. in advance of changes to domestic fuel prices. Such a mechanism would contribute to international market stability, he explained.

BEIJING 00004603 002 OF 003

U.S. should be flexible on technology transfer -----

15. (SBU) NEA DG Wu recommended that the U.S. and China focus on substantial cooperation on environmental protection, climate change, and renewable energy. Opining that U.S. IPR concerns hinder the transfer of clean energy technology to China and other developing countries, Wu stated that the U.S. should promote a ?more flexible environment? for technology transfer. Wu said China welcomes U.S. enterprises and institutions that want to invest in new energy research and development in China. This could also benefit U.S. companies weathering the economic crisis in the United States, he argued. DRC DG Feng also suggested that the United States should offer greater support for the transfer of clean energy technology to China. Feng acknowledged U.S. IPR concerns, but argued that China relies heavily on coal-fired power generation and the transfer of clean coal technology would be in the interest of both countries.

16. (SBU) ERI DG Han also noted that the U.S. and Chinese governments should make efforts to improve enterprise-level cooperation on clean energy and energy efficiency. He noted that many U.S. clean energy firms already operate in China and more would like to do so. China, on the other hand, has many clean energy companies that have not yet entered the U.S. market. By encouraging clean energy enterprises to enter one another?s markets, the U.S. and China could speed up technology transfer and stimulate more investment in clean energy technology, he stated.

Chinese NOCs? overseas activities benefit us all -----

17. (SBU) DRC DG Feng noted said he is concerned that the U.S. misunderstands Chinese national oil companies? (NOCs) overseas exploration and production objectives. In Feng?s view, the U.S. and China must work to establish ?common trust? regarding Chinese NOCs overseas activities. The U.S. should not assume that Chinese NOCs intend to

control overseas resources. Rather, Chinese NOCs? overseas activities contribute to increased production and greater market stability. He pointed out that African oil, for example, is expensive to transport back to China and a portion of Chinese NOCs? production in Africa is sold on the international market. This benefits all oil importing countries including the U.S., he argued.

U.S., China need to lead on climate change

18. (SBU) Director for the Center of China Studies at Tsinghua University Dr. Hu Angang asserted that China should play a more active role in international energy cooperation, including through the IEA and other organizations. The U.S. and China should also assume more responsibility and leadership in international discussions on climate change, he suggested. On this issue, Hu opined that Chinese leaders remain reluctant to commit to specific emissions reductions targets. In Hu?s view, this is because central government authorities worry that if they make a commitment, local government leaders will be unable to follow through effectively.

Supportive of IEA cooperation, but cautious on membership

19. (SBU) NEA DG Wu welcomed the IEA?s cooperation with China and acknowledged U.S. support for Chinese membership in the IEA. He argued, however, that it is still premature for China to seek membership, as China does not belong to the OECD and does not meet the IEA?s membership requirements. Wu noted that the IEA would have to revise its membership criteria if China were to

BEIJING 00004603 003 OF 003

join. Wu explained that China will continue its cooperation with the IEA and said that NEA Administrator/NDRC Vice Minister Zhang Guobao would consider participation in next October?s IEA ministerial.

110. (SBU) ERI DG Han, echoed Wu?s views on IEA membership, noting that China would have to overcome several legal obstacles -- in particular OECD membership -- in order to join the IEA. Han explained that Chinese government agencies are now in the process of studying how China could best work with the IEA. As part of this process, China is reviewing the obligations that IEA membership would entail. It will be another 3-5 years before China reaches a decision on whether to pursue IEA membership, he stated. Han explained that earlier this year, he had told IEA President Tanaka that IEA member countries should first reach internal consensus on whether to invite China to join. If the IEA were to issue a formal invitation for China to seek membership, China would be obligated to respond, he clarified. Hengel responded that the U.S. supports changing the OECD membership requirement, which would be easier to do if China expressed an interest in joining.

111. (SBU) DRC DG Feng also welcomed closer cooperation between China and the IEA and agreed that Chinese participation in IEA activities enhances global energy security. On membership, however, Feng emphasized that China must carefully review the costs and benefits of joining the IEA. He also pointed out that China is far from meeting the IEA?s membership requirements. Insufficient collection of energy data, for example, would make it difficult for China to meet the IEA?s rules on transparency. ?The government itself does not know the true cost of energy,? he explained. OECD membership and 90-day petroleum reserves requirements would also be challenges for China. Feng noted that IEA voting weights would need to change if China joined, which may be problematic for some European members.

Comment

¶12. (SBU) Comment: Chinese officials expressed a strong interest in further cooperation with the IEA, but remained cautious about pursuing membership. They noted that China will not qualify for IEA membership in the near future, pointing out that China will not become an OECD member any time soon, 90 days of petroleum reserves remains a long-term goal, and IEA voting weights would need to be changed to reflect China's large and growing oil imports. One official expressed concern that Chinese membership in the IEA would result in obligations to reduce greenhouse gas emissions. Hengel explained that this was not the case. End Comment.

¶13. (U) DAS Hengel has cleared this cable.

RANDT